



Final Project : BUSA 6290

Academic Research

Master's degree in Business Administration

*“Assessing the influence of Digital Banking service quality on customer satisfaction:
A Country Case of Azerbaijan”*

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May 2022

ABSTRACT

The study has attempted to assess the influence of digital banking service quality on customer satisfaction in the case of the Azerbaijan banking industry. To achieve the objectives of the study primary data collection method was adopted, and an online questionnaire was used as a tool. The research analysis was formulated on a sample size of 108 respondents. In order to find the relationship between interest variables the methods of mean, standard deviation, correlation and regression analyses were used for further testing hypotheses and finding answers to the research questions. The results obtained through statistical procedures reveal that service quality dimensions of the speed of delivery, ease of use, reliability, enjoyment, control, privacy, and security have a positive impact on customer satisfaction in the case of digital banking in Azerbaijan. Based on regression analysis, the impact of security and privacy variable on customer satisfaction is concluded to be high compared to other dimensions. Based on the study findings, banks can increase customer satisfaction levels by successfully implementing digital banking services and refining the service quality levels. The study has included a set of recommendations for banks by acknowledging revenue stoppers and customer dissatisfaction criterias.

Keywords: Digital banking, service quality, customer satisfaction, internet banking,

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SECTION ONE

INTRODUCTION

1.1 Background

The conditions that exist in different business sectors have been transformed to being highly dynamic and mobile due to the recent and ongoing technological developments. The introduction of novel and singular ways of doing business has changed the traditional business environments into digitalized and integrated ones. Transformation due to advances in technology has been experienced in numerous sectors. The banking sector is one of those examples. Digital transformation in the banking sector has caused the introduction of a new term which is called "Digital Banking". Definition of digital banking can be given as adopting technology to carry traditional banking services, products, processes, and activities online (Sardana & Singhania, 2018). Electronic banking (e-banking), as a subset of digital banking, is a combination of terms such as home banking, pc banking, internet banking, and mobile banking (Driga & Isac, 2014). One of the advantages of digital channels is the frequency of branch visits becoming less often. By that means, the digitalization of the majority of banking transactions fulfills the needs of customers without a visit to the bank's branch.

Technological advancement has introduced alternative ways of value creation to banks that have moved the business models away from leveraging closer to customer-centered ones. In other words, banks, with the help of digital tools, can increase customer engagement through the services provided. With the help of online tools, financial sector units have got the chance to provide new services that are easy, affordable, convenient, and time-saving for customers (Khatoon, Zhengliang, & Hussain, 2020). These new trends in the banking sector helped to expand the relationship between banks and their customers, and allowed banks to operate more efficiently to reach a broader customer segment.

Besides, digital innovation has opened new opportunities for banks to increase customer satisfaction, but some of them still are at risk due to not fully adapting their business processes toward being more customer-centered (Veliyeva, 2021). The research conducted by Deloitte (2017) on the theme of understanding digital banking benchmarks highlights the statement that banks have been faced with heavy and increasing competition from the entities that have newly entered the market after the digitalization process. Fintech and digital bank companies that are

fully transmitted online mainly focus on providing revolutionary services that are not offered by regular banks, or they offer traditional services of banking with the touch of innovation (Deloitte, 2017). The study gives the example of globally known Fintech brands of PayPal, Digicash, and Kickstarter, and fully-digital banks of Number26 (DE), Soon (FR), and Monzo (UK) that accelerate their operating scope in the areas where banks fail to deliver the required fast and lower-cost services. While there is a competition and an increasing gap between traditional and innovation-driven financial entities, the study outlines the room for improvement for the banks because of their accumulated experiences, mass customer bases, and understanding of compliance and standards. By that means, with the help of pursuing the prioritization of key digital features, revising enterprise strategy, and improvement of design and ergonomics, banks can still be a part of innovation. Rather than investing mass amounts in portfolio enhancements, banks can adopt digitalization as a tool that fosters change.

With regard from the customer perspective, digital banking features create concerns related to security, the privacy of data, technical and connectivity issues. The carried survey in Europe has concluded that more than 40% of respondents are concerned because of the security issues of online payments (Deloitte, 2017). Supportively, the survey conducted by Deloitte in 2016 puts emphasis on roughly 30% of individuals who have reported that they do not make in-store purchases with their mobile phones due to security concerns (Deloitte, 2016). As banks, in their nature, are included in the service sector, where main criticism and evaluation are received from customers, meeting customer expectations is the initial requirement. Banks in the digital context can meet the expectations of customers by providing better financial and service quality that will enhance the customer satisfaction level (Mbama & Ezepeue, 2018). The study sheds light on the positive relationship between satisfied and loyal customers, and its positive influence on a bank's financial performance.

As noted, satisfaction is the important outcome received from provided services when expectations are met. According to Edvardsson, Gustafsson, and Roos (2010), service quality is the most important thing if the company wants to reach customer satisfaction. In other words, if the company fails to meet the quality metrics in the process of delivering a product, service, or brand, then having no customer base is the natural outcome to be predicted. Thus, a company or organization should firstly focus on customer satisfaction if it wants to have customer loyalty and reach profitability (Edvardsson et al., 2010). Thus, in order to sustain close and long-lasting

relationships with customers, which also have a direct effect on financial performance, banks need to target providing high digital service and product quality.

1.2 Problem Discussion

Azerbaijan is one of the countries where digital technologies are implemented with the intention of transforming the country into a regional digital hub (Mamedov, Shefa, & Jafarova, 2020). The government's adopted programs support digitalization, cashless payments and aim to expand the bank's service quality in this manner. Azerbaijan's banking sector can be characterized as being in the phase of fast and controlled transformation. For example, banks' internet and mobile banking usage rates are calculated to be 90% and 83%, respectively (Mamedov et al., 2020). Although these high numbers indicate the excessive interest of banks toward innovative solutions that digitalization brings, some banks are still providing services in the traditional way, or they provide digital channels where customers are limited to only getting information but not performing transactions (The Center for Analysis of Economic Reforms and Communication [CAERC], 2016). Since digital banking has introduced new ways of delivering services in the banking industry, there are still banks that have not updated their business models to become more customer-centered. The recent liquidation and consolidation of several banks in Azerbaijan have been a good example for the other banks by showing the importance of updating business models guided to focus on customer satisfaction (Veliyeva, 2021). Followingly, there is a need for banks in Azerbaijan to understand the importance of digital banking development as it fosters reduction in costs, increased competition, and increased financial position.

While digitalization of banking services both provides benefits and challenges, the current situation signals the inevitable adoption of these solutions in Azerbaijan by either the hand of the government or banks' own initiatives. Though digitalization has been observed in Azerbaijan for a while, there are very few empirical studies that have investigated the relationship between digital banking service quality and customer satisfaction. The current study, therefore, will try to fill this existing gap in the literature to understand the influence of digital banking service quality on customer satisfaction in the case of the banking sector of Azerbaijan.

1.3 Study Objective and Purpose

The purpose of the research is to find out the impact of digital banking service quality dimensions on customer satisfaction in the Azerbaijan banking sector. The study is essential to the literature because it focuses on a country that falls into the category of a transition economy. The examined study will provide a good source of information for decision-makers in the Azerbaijan banking sector, which will show how to increase customer satisfaction with the refinement of service quality dimensions that is supported by empirical findings. The main objectives of this study are:

- To determine service quality dimensions affecting customer satisfaction with digital banking in Azerbaijan;
- To assess the impact of digital banking service quality dimensions on customer satisfaction in Azerbaijan;
- To find the role of demographic variables (*age, gender, marital status, education, digital banking experience, and frequency of digital banking usage*) on customer satisfaction in terms of digital banking services in Azerbaijan;
- To prepare a set of recommendations and provide suggestions for decision-makers on the theme of customer satisfaction in digital banking

1.4 Research Questions

The research is going to address the following questions :

Q1: What are the major service quality factors affecting customer satisfaction with digital banking in Azerbaijan?

Q2: How do overall digital banking service quality factors affect customer satisfaction in Azerbaijan?

Q3: What is the role of demographic variables on customer satisfaction with digital banking in Azerbaijan?

1.5 Hypothesis formulation

The research is going to adapt the digital banking service quality dimensions of *Speed of delivery, Ease of use, Reliability, Control, Enjoyment, Privacy and security* that referenced from study conducted by Bebli(2012). While the research mainly focus on relationship between service quality and customer satisfaction, the demographic indicators will also be examined. Based on objectives of study, the research is going to test the following hypotheses:

Hypothesis 1 (H1): Digital banking Service quality dimensions (*Speed of delivery, Ease of use, Reliability, Control, Enjoyment, Privacy and security*) have an association with customer satisfaction.

Hypothesis 2 (H2): Digital banking service quality dimension, Speed of delivery has a positive impact on customer satisfaction in Azerbaijan.

Hypothesis 3 (H3): Digital banking service quality dimension, Ease of use has a positive impact on customer satisfaction in Azerbaijan.

Hypothesis 4 (H4): Digital banking service quality dimension, Reliability has a positive impact on customer satisfaction in Azerbaijan.

Hypothesis 5 (H5): Digital banking service quality dimension, Enjoyment has a positive impact on customer satisfaction in Azerbaijan.

Hypothesis 6 (H6): Digital banking service quality dimension, Control has a positive impact on customer satisfaction in Azerbaijan.

Hypothesis 7 (H7): Digital banking service quality dimension, Privacy and security have a positive impact on customer satisfaction in Azerbaijan.

Hypothesis 8 (H8): Digital banking Service quality dimensions (*Speed of delivery, Ease of use, Reliability, Control, Enjoyment, Privacy and security*) together have a positive impact on customer satisfaction

Hypothesis 9 (H9): Demographic variables (*age, gender, marital status, education, digital banking experience, and frequency of digital banking usage*) have a positive impact on customer satisfaction

1.6 Structure of research

The research paper is divided into six main sections. The first section is designed to give an introduction to the study problem. The introduction is divided into background information, problem discussion, study objective and purpose, research questions, hypothesis formulation, and research structure. Section Two is designed to give insights into the financial sector in Azerbaijan. Section Three is dedicated to the literature review and theoretical background about the measurements and dimensions of service quality, customer satisfaction, demographic variables, and prior research findings on relationship among these variables. Section Four is going to be mainly about research methodology formulation. This section includes research instruments, design, and sampling techniques. Section Five is dedicated to the empirical findings, the detailed analysis, and discussion of these findings. The final section demonstrates the conclusion derived from the research study and further study limitations and policy recommendations.

SECTION TWO

AZERBAIJAN'S FINANCIAL SECTOR

2.1 Introduction

Section Two is designed to spotlight what has been presented in Section One. This section focuses on the financial sector, mainly the banking industry of Azerbaijan. Historical assessment of banking industry in Azerbaijan with the emphases of main events is going to be considered in this section.

2.2 Banking history in Azerbaijan

The chronological development of the banking system in Azerbaijan can be divided into four distinct periods:

2.2.1 Period of 1991-1994

This period was characterized by hyperinflation in the economy that had newly gained its independence. In this period, one of the main events was the establishment of the National Bank of Azerbaijan, which was a crucial attempt to accelerate the power of the financial systems in the country (Aliyev & Gasimov, 2014). Besides the functionality of the National Bank in the country, this period was associated with the establishment of government-owned banks that were mainly initiated to support the development of the domestic economy. Moreover, parallel to the public banks, the establishment of several privately-owned bank entities was the further step taken. (Aliyev & Gasimov, 2014).

2.2.2 Period of 1995-2005

Followingly, the banking industry has continued to grow at an increasing trend over the period of 1995-2005. The main events were related to signing the agreement of "The Contract of the Century", valued at \$60 million. According to Cekuta (2020), this contract had the front picture of an agreement that aimed to drill, access, and sell oil to ensure Europe's energy security. Nevertheless, the contract had significant implications beyond it, as it generated income for the partner countries and has helped strengthen the power of newly established counties in the Caucasus region. Azerbaijan, during this period, continued its refinement actions to lower the

inflation rates. Moreover, during this period, parallel to domestic banks, international banks also started to enter the market (Aliyev & Gasimov, 2014).

2.2.3 Period of 2006-2015

This period was characterized by the instant flow of foreign currency to the country as a result of an increase in oil exports which is referred to as the "oil boom". In terms of the banking sector, an increasing trend was observed in total deposits and loans taken from banks. The financial crisis of 2008 has slowed the speed of the acceleration of loans which was showing an increasing trend prior to the crisis (Aliyev & Gasimov, 2014).

2.2.4 Period after 2016

An essential highlight of the period after 2016 for the banking sector is associated with the introduction of "The Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan" (CAERC, 2016). The roadmap has included a three-term concentrated improvement plan covering short, medium, and long-term strategic and action plans. The first phase of the program was focused on developing risk resilience of the banking sector to potential internal and external shocks until 2020. At the same time, the short-term strategic plan had included actions related to accelerating attempts toward formulating a digital foundation and implementing digital transformation for achieving better customer experience and transparency for minimization of potential risk factors. The second phase of the program will cover the period till 2025, focused on refinement of the legislative systems and legal base in the banking sector to develop financial performance and efficiency further. The digitalization process of banks will continue in this phase, as targeting moving the majority of banking services online. The last phase of the program, which concentrates on the period after 2025, will prioritize establishing a sound digital banking environment that allows and provides a wide variety of online services. Formulating customer databases, integrating banking services to other platforms, and digitalizing loan applications for SMEs and other strata of customers are part of the term agenda.

SECTION THREE

LITERATURE REVIEW

3.1 Introduction

Section Three is designed to introduce the relevant literature review for the study topic. The literature review will include both theoretical and empirical study analysis and findings. Respective literature related to digital banking, service quality dimensions and customer satisfaction are going to be outlined. The theoretical and empirical studies and models are going to be evaluated, and the inspirational model for the research is going to be selected.

3.2 An overview of Digital Banking

According to Lipton, Shrier, and Pentland (2016), banking, at its core, is based on mathematical and technological foundations. Thus, digitalization is a well-suited solution for transforming banking services. However, the traditional, long-established operating systems and banking culture put blocks on the way to fully embracing digitalization, which is a crucial step for banks to survive in the innovation-driven era. According to the authors, though technology has touched its magic wand in industries of travel, retail, mass media, etc., where significant innovation has been observed starting from the mid-80s, the banking industry is forced to stay away from these changes to remain its core operations static. Traditional banking techniques are not up-to-date and fail to satisfy the credit access needs of particular groups of people and small and medium enterprises that require flexible credit options. (Lipton et al., 2016).

The study conducted by Ernst & Young (2014), where customer experience and trust in banking relationships were observed with the help of data collected from more than 40 countries and 32,000 retail banking customers. The survey outlines that, when it comes to performing the tasks of balance inquiry, administrative, and transfer of funds, more than half of the respondents prefer using digital banking features. Though the study emphasizes the inclination of customers more to digital channels, when it comes to tasks related to getting advice, sales, and making deposits, preference is mainly using branch and personal contact. These findings reveal that digital banking has transformed a variety of transactions online, but people's preferences have remained the same for specific services provided in the traditional way (Ernst & Young, 2014).

According to Digital Banking Manifesto, the authors have divided innovation in digital banking into three separate waves (Lipton et al., 2016). The first wave of innovation is characterized by incrementally injecting technology into banking services. These changes are mainly applied in the form of overlay or extension to existing functionalities. The pioneer of digitalization in the banking sector related to the contributions of Citi Bank. The second important association of the first wave related to the gradual introduction of online banking in the 1980s, which had accelerated starting from the 1990s, when internet usage was expanded. The second phase of digital integration of banking systems was related to introducing front-end features of daily banking services to get a better customer experience. However, the main problematic issue of this transformation is that only front-end features were integrated, but the back-end mainly remained in physical banks. Thus, Lipton et al. (2016) defined banks in this phase as "hybrid banks" that are neither traditional nor fully digitalized. The third wave of digital banking will ease access to banking services with the help of mobile or computer devices, and dependency on place and time of transaction notions will disappear.

McKinsey & Company (2015) has tried to answer the question of what expectations customers have in terms of digital banking in Asia. The study outlines that banks can not only present innovative products and services with the help of digital banking, but also can provide better customer experience solutions. According to a study survey, the respondents were mainly interested in advanced services that target bank loyalty programs and discount coupons. The next service that respondents expected from digital banking was to control and manage their financials online with access to whole portfolio features.

The study conducted in Zimbabwe by Wadesango and Magaya (2020) has attempted to capture the effect of digital banking on financial performance. In terms of the Zimbabwean commercial bank context, the bank's return on assets, which is accepted as a financial performance indicator for this study, is positively and significantly correlated with customers' online deposits and transactions. However, the study has shed light on the point that a bank's return on assets is negatively correlated with transaction fees and commissions associated with online banking transactions. As a recommendation to the banking industry, the study empirically proves that the adoption of digital banking will foster the improved financial performance of respective commercial banks. Frank and Oluwafemi (2012) have conducted that reasons banks that have

achieved cost reduction, security trust, and continued maintenance are due to the successful implementation of advanced network design features.

3.2.1 Digital Banking Channels

Digital banking as a broad term includes channels of Internet Banking, ATMs, Mobile Banking, POS terminals, and E-wallets.

Internet banking

Generally, Internet banking is a widely used digital banking channel where banking transactions are completed with the help of personal computers without any location constraints (Keivani, Jouzbarkand, Khodadadi, & Sourkouhi, n.d.). With the help of internet banking, customers get the chance to access the web page provided by the bank to perform tasks related to fund transfers, payments, buying and applying bank products, and performing other online transactions. The typical features of internet banking are characterized as being transactional, non-transactional, financial institution administration, and managing multiple accounts due to their nature (Koskosas,2011). With the help of personal computers and internet connectivity,, customers can directly send their requests through the use of respective web interfaces designed to perform that specific action. From the bank's side, the customer requests are accepted in an order based on their predetermined functionality groups and redirected to either an automated solver or customer service representative by the host computer through the network connection. Internet banking provides a significant amount of advantages to both customers and banks. A primary advantage of internet banking is its ease of use which makes it convenient for customers. It allows and functions on a 24/7 basis where customers can access their data with just one click. Compared to the traditional banking practices, customers, with the help of online banking, can easily set up accounts by entering the required personal information into their respective fields. This process would take much more time if it was performed with traditional banking. The article introduced by Koskosas (2011) defines several major disadvantages of internet banking usage. One can judge the security factor of internet banking, where customers can be subject to the possible phishing and hacker attacks, nevertheless information is encrypted and stored with special algorithms.

ATM(Automated Teller Machine)

ATM stands for the abbreviation of Automated Teller Machine, which can be characterized as a programmed machine that performs actions related to cash receiving and withdrawals. ATM machines, by their functionality, are a self-service banking terminal where customers, without the need of a bank representative, can perform their financial transactions from one single monitor (Adepoju & Alhassan, 2010). ATMs can be located closer to or inside banks or can be accessed in public locations. These machines allow customers to perform secure transactions related to accessing bank accounts, issuing and receiving money, and getting information about account balance (Curran & King, 2008). Customers can perform the respective transactions through ATMs only after inserting plastic cards with the specific account number and PIN (Personal Identification Number) code, which is required for verification of customer identity.

Mobile Banking (M-banking)

Definition of Mobile Banking (M-banking) can be stated as a digital banking channel where customers can perform their banking transactions from mobile devices (Chandran, 2014). Purohit and Arora (2021) state that among other digital banking channels, mobile banking is the most modern one. Mobile banking allows customers to perform tasks related to transferring funds, accessing to account balance information, paying bills, and managing portfolios. Mobile banking technology is suitable for performing several types of banking actions, such as accessing banks' websites, messaging systems, and banking applications (Chandran, 2014). With the help of mobile phones and internet connections, customers can use banks' web pages to perform transactions. In terms of the messaging systems, customers, with the help of mobile phones, can be directed to the bank via SMS services. They can get account information through messaging. Lastly, customers can download banking applications to their Android or iOS system phones and use them to perform financial tasks (Purohit & Arora, 2021). Mobile banking offers several advantages to customers, such as saving time in operations, being 24/7 available, convenience, and ease of use are major advantages. At the same time, customers are still concerned about several issues regarding using mobile banking. Firstly, security and privacy risks can arise due to potential hacker attacks, fraud, and identity theft. Problems related to continuous network connectivity are also another issue where customers fail to perform transactions when the internet is required.

POS (Point of Sale) terminals

Point of Sale (POS) terminals are special technological devices connected to a network and used to transfer an indicated amount of money from one account to another. POS terminals are mainly used in shops, restaurants, cafes, and hotels where payment is received with a plastic card (Ganjikhah, Rabiee, Vahdat, & Moghaddam, 2017). POS terminals mainly require the PIN code of the respective card to verify and approve the transaction. Recent terminals are designed as monitors without any buttons and with Wi-Fi functionality that receives card information by putting plastic cards closer to the terminal.

E-wallet (Electron wallets)

E-wallets or electron wallets are virtual services that are connected to an individual's bank card with the intention to perform purchases or receive funds. In a sense, e-wallet is the digital version of customer wallets. According to Kumar (2019), E-wallets are the product of demonetization to discourage using hard cash notes. E-wallets can be accessed by mobile or personal computer devices in the form of installment of respective e-wallet applications. With the help of specific QR code, customers, can perform easy and fast transfers of the required amount to the supplier or other party's bank account. In their study, Jain and Sabharwal (2020) outline the major advantages and disadvantages of e-wallets for customers. Firstly, e-wallets are an alternative and convenient way for customers for purchases in retail and online stores. E-wallets give opportunities to get discounts and cashbacks. It also saves time, and compared to physical wallets e-wallets provide higher security. While e-wallets make life easier in terms of purchases, not all stores accept payments in this form. Thus, e-wallets can be a suitable way of payment form if only both parties mutually have access to the application. The disadvantages of e-wallets are related to the possibility of cyber-attacks and not being a user of smartphones that provide these applications (Jain & Sabharwal, 2020).

3.3 SERVQUAL Model

The absence of a quantitative framework for assessing the firm's service quality in the existing literature has motivated Parasuraman, Zeithaml, and Berry to formulate the SERVQUAL model in 1988. The model is an empirically valid and reliable tool for measuring customer perceptions of service quality in terms of retail and service sectors. As a ground step, the authors

have proposed a 10-dimensional model with 97 items that have included service quality assessment dimensions ranging from security, communication, courtesy, reliability, communication, responsiveness, credibility, and others. The further analysis of collected data and results of Scale Purification have forced authors to reduce the number of dimensions because of higher rates in factor loadings. Thus, the final version of the SERVQUAL model has reduced the number of dimensions from 10 to 5. The new 5-dimensional service quality assessment model with 22 questionnaire items has included the items of tangibles, reliability, responsiveness, assurance, and lastly, empathy. Authors outline the fact that though the final model is derived after the elimination of several items, the new model is still applicable and still captures the initial 10-dimensional model items in it (Parasuraman et al., 1988)

The SERVQUAL model is a good fit if it is intended to measure the service quality metrics in any retail and service sectors. Parasuraman et al. (1988) argue that the SERVQUAL model is a concise and fundamental instrument if firms want to know customer behavior in terms of their expectations and perception of services. By understanding the patterns, service providers can further improve their services and differentiate their brands from others by satisfying their expectations.

The SERVQUAL multi-dimensional model can be approached as a skeleton for studies where the research focus area will be analyzing the service quality of firms (Parasuraman et al., 1988). Authors suggest that future researchers can add additional dimensions or deduct the existing 5-dimensions for their specific topics. Thus, authors have provided existing customer behavior literature with a valuable model that is investigated and adopted by many scholars in their proprietary studies on themes of examining the relationship among service quality dimensions, customer satisfaction, loyalty, financial performance, and so on.

3.4 Theoretical framework

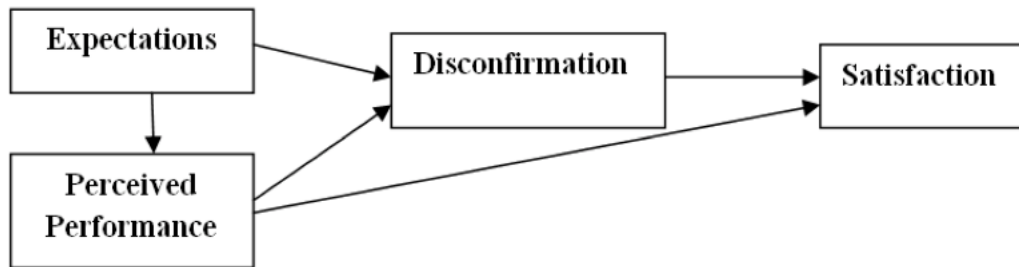
In the current literature, scholars have developed a significant number of theories to understand customer satisfaction. In this study, The Expectancy-Disconfirmation and Diffusion of Innovation theories introduced by Oliver (1980) and Rogers (1983) respectively are going to be referenced.

3.4.1 The Expectancy-Disconfirmation Theory (EDT)

The Expectancy-Disconfirmation Theory (EDT) is approached as a famous theory in the literature for measuring customer satisfaction. The theory, first introduced by Oliver in 1980, noted that customer satisfaction could be assessed by customers' perception and experience toward the quality of products or services. The Expectancy-Disconfirmation Theory (EDT) is formulated by the insights taken from a theory named Cognitive Dissonance (CDT) by Leon Festinger in 1957 (Elkhani & Bakri, 2012). The Expectancy-Disconfirmation Theory outlines that customer satisfaction is affected by the disconfirmation between customers' expectations and the level of fulfilled experience from the product or service itself. The respective theory framework is given in Figure 3.1. The model assessment includes two main variables measured in two different periods, such as before and after receiving a product or service. (Elkhani & Bakri, 2012). The first variable is called customer expectation, and the second one is experience received, respectively. The difference between these two variables determines whether one is satisfied, dissatisfied, or neutral with the received product or service. If the customer's perception prior to receiving the product or service is higher than the experience obtained after receiving it, then negative confirmation is the outcome. While, if a customer's experience after receiving service is higher than what was expected, then positive confirmation is the potential outcome. When expectation and experience are almost equal to each other, the result is neutral disconfirmation.

Customers' prior expectations toward a particular service or product are derived from their previous experiences and the opinions of friends and families (Oliver, 1980). Andrew (2018) states that customers are more inclined to put a negative review and share it when a negative experience occurs. In the case of positive experiences, customers are less likely to write reviews and share their positive experiences with others. Thus, in conjunction with what theory suggests, banks attempt to provide better and innovative solutions through digital channels to increase customers' expectations. Simultaneously banks also should increase the experience that customers get from services. By targeting better digital banking service and functional quality, banks will be able to increase customer experience and, followingly, customer satisfaction.

Figure 3.1 The Expectancy-Disconfirmation Theory Framework

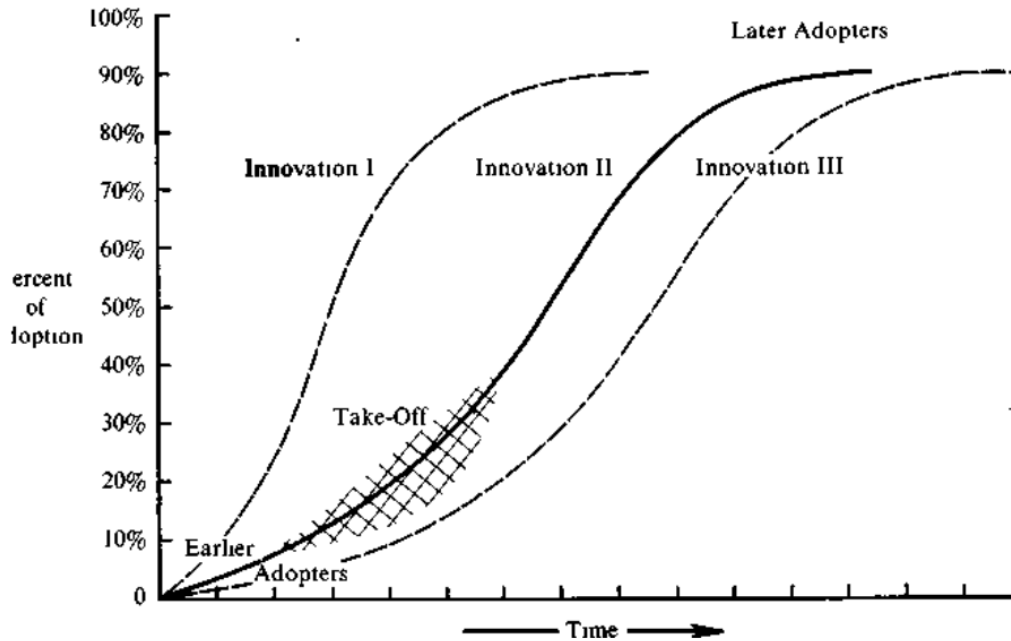


Source: Oliver, 1980

3.4.2 Diffusion of Innovation Theory (DIT)

Diffusion of Innovation Theory (DIT), introduced by Rogers (1983), is a valuable and widely used study as it helps understand how newly generated ideas are accepted and adopted by individuals within society. Rogers (1983) defines the notion of diffusion in his article as “Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system” (p.5). The respective theory framework is introduced by Rogers (1983) in Figure 3.2, where diffusion of innovation is expressed as a function of time and percentage of adoption. Innovation that is resulted from either inventing a new idea, practice, or object or by creating new things by changing existing features can be either accepted or rejected by individuals. Lundblad (2003) suggests that innovation should be evaluated as a new practice for individuals and organizations adopting it, regardless of when this innovation is developed. The process of diffusion and adaptation of innovations leads to changes in society. In the context of digital banking, the Diffusion of Innovation theory will help to understand how innovation-driven channels of internet banking, ATMs, POS terminals, and Mobile banking are diffused and adopted by customers.

Figure 3.2 Diffusion of Innovation Theory (DIT)



Source: Rogers (1983)

Rogers (1983) characterized innovation with the five major evaluation features that help examine why innovation is adopted at different rates by individuals. These features are relative advantages, compatibility, complexity, trialability, and observability. Regarding the relative advantage of innovation, the main point here is whether innovation brings an advantage to the individual. If so, individuals will have a higher perceived rate of relative advantage from innovation, leading to a higher adoption rate. Compatibility feature approaches innovation from value, needs, and social norms perspective. It formulates critique for innovation so that it does not deviate from what is needed, what past experiences suggest, and what norms and values are followed. If innovation is incompatible, then the adoption rate will be lower compared to compatible ones. Complexity by meaning is the degree of the complexities of innovation and how it slows down the adoption rates. As long as individuals easily understand innovation, then the speed of adoption will be higher. Trialability is the possibility given to individuals to try the innovation and get to know it. The innovations that allow users to use it prior to full execution will have a higher rate of adoption. Finally, innovation observability makes its results visible to others, leading to higher adoption rates. As a positive experience observed among individuals, it will foster them to adapt to new technologies. In terms of the main concern of digital banking,

innovation can be examined by these five metrics. For the banking sector in Azerbaijan, the banks that provide innovation through increasing their relative advantage, compatibility, trialability, observability, and decreasing complexity will engage more customers and increase adoption rates.

3.5 Empirical studies on Service Quality and Customer satisfaction

Khatoun et al. (2020) have conducted research to find out the relationship between electronic banking service quality and purchase intention of customers in Qatar with the mediating effect of customer satisfaction. The research has been analyzed with the questionnaire data collected from more than 200 respondents. The prior finding of the research is that there is a positive impact of electronic banking service quality dimensions of reliability, efficiency, responsiveness, communication, security, and privacy dimensions on customer satisfaction level. The second finding is that these service quality dimensions positively impact purchasing intentions of customers with the mediating effect of customer satisfaction. In other words, as there is an increase in the quality level of banking services, more customers will be satisfied with these services, which in turn will foster intentions for purchasing activities.

In their study, Hammoud, Bizri, and Baba (2018) have found that there is a positive and significant relationship between the service quality of electronic banking and customer satisfaction in the case of Lebanese banks. The second insight of research was to find among the service quality dimensions, which has the strongest contribution to customer satisfaction level. Empirical model and regression analysis results have revealed that the reliability dimension, among other variables, has the strongest influence on customer satisfaction. The researchers have included the dimensions of reliability, efficiency, ease of use, responsiveness and communication, security and privacy to test the formulated hypotheses.

According to Sardana and Singhania (2018), bank customers have experienced the ease of use of services provided by banks, making the customers require customized services to satisfy their needs. As customers get used to the benefits that digitalization has brought, the opportunity cost of changing among banks gradually decreases. In other words, when the service provided by a bank does not satisfy the customer's needs, they can easily transfer their account to another bank. Sardana and Singhania (2018), digitalization enables banks to lower the costs associated with keeping back-office staff, decrease the number of branches needed for operation, and lower the errors that may result from human factors. Integration of technology into banking services

increases the competitiveness of banks by increasing the effective and efficient service quality, which in turn positively affects the performance of banks in daily activities.

According to Rod, Ashill, Shao, and Carruthers (2009), if banks want to increase their competitive advantage in the digitalized world and increase the customer base, they should examine the customer evaluation metrics. Thus, service quality dimensions of digital services should be accessed and critically evaluated as they directly affect customer satisfaction and perception of respective banks. The study conducted by Rod et al. (2009) revealed a positive relationship between internet service quality and customer satisfaction in the case of the New Zealand banking industry.

In the case of South Korea, authors Lee and Lee (2020) have examined the effect of internet banking service quality on customer satisfaction in the context of general and VIP customers. Authors have used the six dimensions of service quality in their study that are given as usefulness, ease of use, safety, reliability, responsiveness, and empathy. The research findings suggest that the included service quality dimensions positively impact customer satisfaction, and this influence is significant. The importance of service quality dimensions among VIP and general customers was recorded to be different. The VIP customers in South Korea mainly rated responsiveness, empathy, and ease of use are the essential dimensions while evaluating customer satisfaction. Lee and Lee (2020) have implemented adjustments to the original SERVQUAL model. The original SERVQUAL model includes service quality dimensions of tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988). According to Lee and Lee (2020), tangibles and assurance dimensions do not fit the e-banking service quality measurement matrix. Thus, instead of these two dimensions, the new reliability, responsiveness, and empathy dimensions were included to examine the research problem.

Similarly, customer satisfaction with internet banking service quality is examined in New Delhi, the capital city of India, by Firdous and Farooqi (2017). The study has investigated service quality dimensions of efficiency, system availability, fulfillment, responsiveness, privacy, contact, and website design. Findings coincide with the existing literature, as empirical analysis and results show a direct relationship between service quality and customer satisfaction in terms of internet banking.

Redda and Surujlal (2019) have identified the effect of demographic variables, such as age, gender, education, income, and how long internet banking usage data on loyalty, customer

satisfaction, and internet banking service quality. Results reveal that, as long as customers have high income and education characteristics and have more banking service experience will be more inclined to have a better understanding and perception of banking services provided online. Banks can use these findings to understand the customers and offer better services that can focus on increasing the engagement of lower education and income level customers. Another important finding of the research is that the age and gender demographic variables do not significantly impact customer satisfaction levels and customer loyalty toward banks where customers get internet services.

George and Kumar (2015) have analyzed the potential problems that can appear with internet banking usage and how these problems are related to customers' satisfaction with internet banking. Authors have concluded that customers may face problems regarding support, service, and web-based and password issues. Among these four problems, two of them, web-related and support problems, negatively influence customer satisfaction, and this relationship is statistically significant. According to the study findings concluded by Lakshmi (2020), customers are willing to use digital banking because of its convenience, security, optional payment modes, fast and speed features and there is a direct relationship among these variables and customer satisfaction.

3.6 Service Quality Dimensions for Digital Banking

With a number of studies covering the relationship between service quality and customer satisfaction, the question becomes: What dimensions of service quality affect customer satisfaction, and to what degree? The evaluation of digital service quality will be characterized based on features and experiences of web pages, mobile interfaces, and electron banking solutions. Based on the review of relevant literature, the service quality dimensions of the speed of delivery, ease of use, reliability, control, enjoyment and privacy and security (Parasuraman et al., (1988), Uwalaka and Eze (2020), Davis(1989), Venkatesh, Thong, & Xu (2012)) are going to be adopted.

3.6.1 Speed of Delivery and Customer satisfaction

Compared to traditional banking experiences, digital solutions have accelerated the speed of banking transactions with the help of online and optimized solutions. Speed of delivery of digital banking services can be defined as the quickness of a transaction while successfully performing the task within a reasonable time frame (Muluka, 2015). Speed qualification of digital services can

be affected by several factors such as, the quality of API (Application Programming Interfaces) environment, adaptation of biometric technology, automation of processes, and use of AI(Artificial Intelligence) that allows performing banking services fast and secure (Valchev, 2021).

The relationship between the speed of delivery of digital banking services and customer satisfaction has been examined by several scholars. Ling, Fern, Boon, and Huat (2016) have concluded that in terms of internet banking, the service quality dimension of speed is among the top three factors that impact customer satisfaction to a higher degree. According to Uwalaka and Eze (2020), the speed factor of mobile banking service quality was among the adopted dimensions to examine the relationship with customer satisfaction. The empirical findings conclude that there is a positive and significant effect of speed in mobile banking on the level of customer satisfaction. Raji, Zamani, and Abdulwakil (2021), based on their empirical findings, have concluded that a positive and significant relationship between the speed of transactions and customer satisfaction observed in terms of electronic banking in Nigeria.

3.6.2 Ease of Use and Customer satisfaction

Unlike traditional banking experiences where customer's direct personal communication was the case, digital banking has introduced a new experience of interaction within devices, interfaces, and customers. Therefore, for customers, to perform the respective transaction through the internet, mobile banking, ATM, or POS terminals, the degree of usability of these interfaces plays a crucial role. Ease of use in terms of digital banking can be characterized as the outcome of the customer's evaluation by whether performing a particular task is free of effort or not (Davis,1989). In other words, if performing digital banking transactions requires additional effort, there is a room for improvement of ease of use services.

The relationship between ease of use and customer satisfaction specific to digital banking services has been outlined by several authors. Obikeze, Okolo, Okolo, Mmamel & Okonkwo (2017), in their study limited to Nigeria, have attempted to find and name the e-banking service quality dimensions that have an impact on customer satisfaction. The study has adopted service quality dimensions of perceived usefulness, ease of use, and security. With the help of explanatory analysis and empirical investigations, authors have outlined that there is a positive significant impact of perceived usefulness, ease of use, and security from a customer satisfaction point of view. Similar research for the same state of Nigeria was conducted by Uwalaka and Eze (2020),

where ease of use was among the study research variables to measure customer satisfaction. Results of the study concluded that there is a significant and positive influence of ease of use on customer satisfaction. Ling et al. (2016) have concluded that ease of use is assumed to be under the context of service convenience in internet banking and has a significant positive effect on customer satisfaction. Meaning that customers who use internet banking services are more inclined to expect banking transactions to be easy and convenient. Likewise, Khan (2021) has examined the factors that influence customer satisfaction in the case of electronic banking. The research outlines the importance of the ease of use factor for better customer satisfaction. Among other study variables, ease of use has the most influential power on customer satisfaction was the important finding of the research. A similar conclusion was derived in the studies conducted by Raji et al. (2021) and AlHaliq and AlMuhirat (2016).

However the study conducted by Fianto, Rahmawati, and Supriani (2021) puts emphasis on a different finding. Statistical results conducted by obtained data have revealed that there is no significant relationship between ease of use and customer satisfaction. Authors have related this outcome with the statement that Indonesian Islamic banking does not cover all mobile banking features, such as electronic bills to fully satisfy customer needs. In other words, with current banking features, customers are not satisfied with the lack of ease of use quality features.

3.6.3 Reliability and Customer satisfaction

Reliability in terms of service quality can be defined as banks' ability to provide services convenient to promised standards and within the promised time frame by maintaining error-free transactions (Iberahim, Taufik, Adzmir, & Saharuddin, 2016). To rephrase it, service can be rated as reliable if the customer performs the the same transactionhe same way and gets the desired outcome without any errors. Several important studies aimed to find the association between reliability and customer satisfaction under the context of digital banking channels for various country cases. In their study, Okoye, Omankhanlen, Okoh, and Isibor (2018), which was dedicated to the Nigerian Banking sector, have outlined that the service quality dimension of reliability has a positive and significant impact on customer satisfaction. Similarly, in their research, Raji et al. (2021), Rahaman, Ali, Kejing, Taru, Mamoon (2020) and Mahmud, Khan, and Lima (2021), have concluded that the relationship between reliability factor and customer satisfaction is positive and significant.

3.6.4 Control and Customer satisfaction

Chipperfield, Perry, and Stewart (2012) stated that the definition of control could be given as one's belief on their influence over the obtained results. Thus, in terms of digital banking, we can paraphrase this definition as one's belief in having control over the systems, transactions, and the obtained results. Le, Hill and Troshani (2020) examined the relationship between perceived control, perceived risk, and self-service technology usage. Based on empirical findings, authors state that the interest variable of perceived control is a significant predictor of self-service technology usage. As the customer's feeling of control over technology is high, then acceptance and usage of these systems will be high as well. Bebli's (2012) study findings conclude a positive and significant impact of the control dimension over customer satisfaction in terms of internet banking in Ghana.

3.6.5 Enjoyment and Customer satisfaction

Enjoyment received from technology usage was found to be an essential assessment factor while analyzing customers' attitudes toward products (Venkatesh et al., 2012). Perceived enjoyment in literature is also characterized by the term of hedonic motivation, which relates to the fun and pleasure one gets while using technology (Venkatesh et al., 2012). Brun, Arcand, PromTep, and Rajaobelina (2017) emphasize the importance of mobile banking service quality dimension of enjoyment as having a more substantial influence on both customer satisfaction and customer commitment. For the case of the enjoyment variable, in their study dedicated to the analysis of service quality and customer satisfaction, Babu and Reddy (2020) have outlined the moderate positive and significant relationship between enjoyment and customer satisfaction. A study conducted by Fianto et al. (2021) has attempted to explain the service quality dimensions that impact customer satisfaction with the limitations of Indonesian Islamic banks. Authors have defined the enjoyment factor of mobile banking service quality under the dimension of convenience. The empirical findings suggest that there is a positive and significant relationship between enjoyment received from mobile banking usage and customer satisfaction level.

3.6.6 Security & privacy and Customer satisfaction

Among other service quality dimensions, security and privacy can be approached as very sensitive dimensions for customers, as people share their personal information with banks. Thus, in return, customers expect special secure protection of the data without transmitting it to any third parties. The study findings of Barquin & Vinayak (2015) reveal interesting trends. With the broad acceleration of digital banking platforms in emerging Asia, customers' security and privacy concerns have shown a decreasing trend. More than half of the respondents stated that they no longer have security-related issues while performing online transactions.

Many scholars have studied the relationship between security and privacy and customer satisfaction under different country and methodology contexts. Obikeze et al. (2017) and Uwalaka and Eze (2020), in their study, have concluded that there is a positive significant impact of the e-banking service quality dimension of security on customer satisfaction. Likewise, security's positive and significant influence on customer satisfaction is concluded in the study conducted by Raji et al. (2021).

A similar study with the adoption of an analysis of mediating effects was conducted by Brun et al. (2017). Their study focused on an empirical analysis of the relationship between mobile banking service quality and customers' trust, commitment, and satisfaction. Authors have concluded that security and privacy as a service quality dimension have directly impact customers' trust toward mobile banking usage. Customer trust plays a mediator between security and privacy, and customer satisfaction. In other words, privacy and security increase customers' trust toward mobile services, which affect customer satisfaction with the mobile banking experience (Brun et al., 2017).

In their study, Brown and Buys (2005) emphasize that the influence of security factors on customer satisfaction is positive and significant. However, one interesting finding the authors outline is that security influences customers' internet banking usage rather than their satisfaction. Likewise, in their study, Babu and Reddy (2020), concentrated on the analysis of service quality, customer satisfaction and trust, concluded analogous findings regarding the relationship between security and customer satisfaction. According to the study's concluding remarks, a positive and significant relationship was found between security and satisfaction variables.

The study conducted by Fianto et al. (2021) has formulated a hypothesis that there is a positive and significant relationship between security and customer satisfaction in the case of

Indonesian Islamic banks. The empirical findings supported this hypothesis and proved that this positive and significant relationship exists. A study done for the Saudi banking sector by AlHaliq and AlMuhirat (2016) has included security and privacy as a service quality dimension for the context of service quality in electronic banking. The results have proven that customers are satisfied when banks provide security and privacy.

While the positive effect is obtained in presented studies, Khan (2021) has found the opposite result in their study dedicated to finding the dimension that impacts customer satisfaction in terms of electronic banking. Such empirical results of data collected from 200 individuals reveal that privacy and security dimension does not influence customer satisfaction.

SECTION FOUR RESEARCH METHODOLOGY

4.1 Introduction

Section Four is designed to demonstrate the research model, design, instruments and methods. The formulated framework for the study is going to be introduced. Moreover, adapted data collection and analysis methods are going to be discussed. Further reliability analysis and ethical considerations will be justified.

4.2 Research Model

The primary objective of this research is to find the impact of digital banking service quality on customer satisfaction. The formulated model for this research is given in Figure 4.1. The framework illustrated below shows the independent variables of service quality dimensions and demographic variables on the left, while, dependent variable of customer satisfaction on the right. The arrows point from independent to the dependent variable in order to show relationship.

According to the model framework illustrated in Figure 4.1, the empirical research equations are going to be as follows:

1. Customer satisfaction and Service quality dimensions:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

2. Customer satisfaction and Demographic variables:

$$Y = \alpha_0 + \alpha_1 X_7 + e$$

Y = Customer satisfaction

β_0 = Coefficient

α_0 = Coefficient

X_1 = Speed of Delivery

X_2 = Ease of Use

X_3 = Reliability

X_4 = Enjoyment

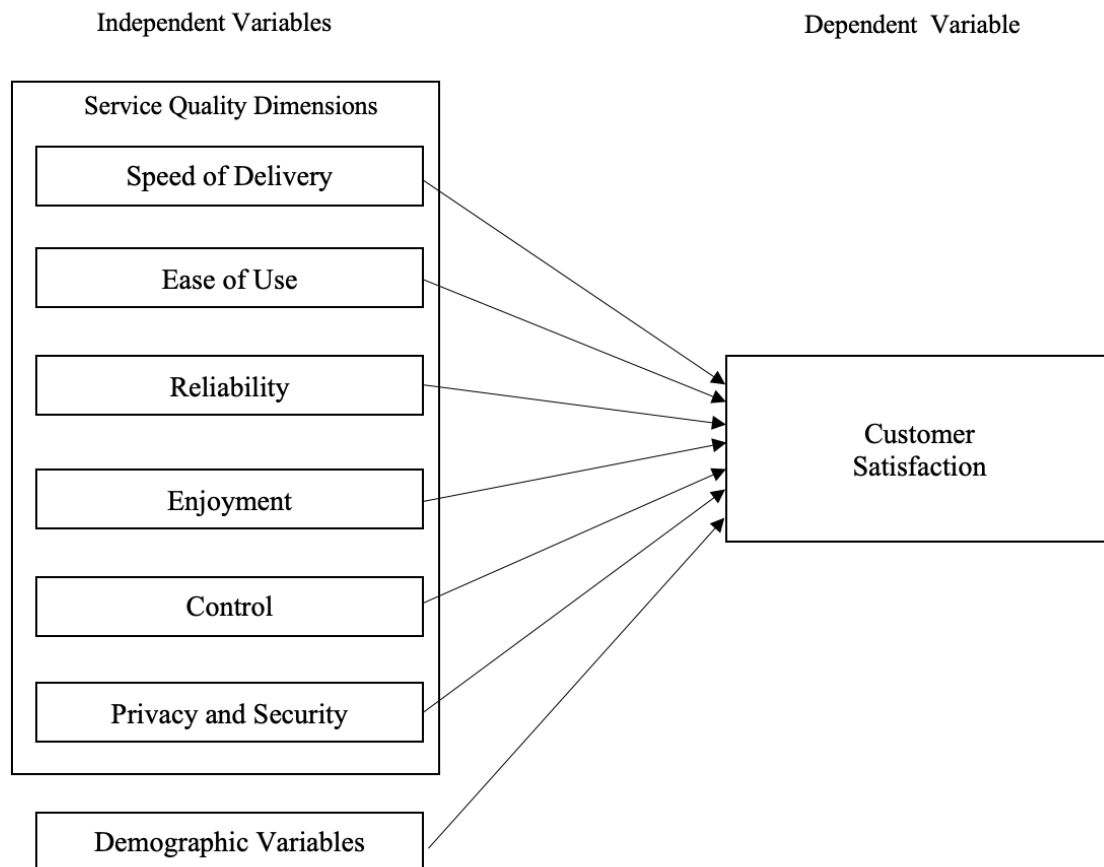
X_5 = Control

X_6 = Privacy and Security

X_7 = Demographic variables

E = error

Figure 4.1 Structured Framework



Source: Author’s compilation

4.3 Research Design and Sampling methods

Based on the theoretical foundation perspective, generally studies are divided into two main approaches: inductive and deductive approaches. In this research, deductive approach is going to be adopted. The deductive approach engages the referencing past research on the study area, formulating hypotheses and testing respective theories with the help of collected data (Woiceshyn & Daellenbach, 2018). Whereas, in the inductive approach, the data collecting and analysis are conducted with the purpose of formulating a new theory (Soiferman, 2010).

There are two primary ways of conducting research: quantitative and qualitative ways. Quantitative research or empirical research can be defined as a method that relies on statistical and mathematical procedures applied to numerical data to conduct cause and effect relationships

among study variables (Ahmad et al., 2019). While qualitative research, on the contrary, is related to collecting and analyzing non-numerical data through the help of open-ended questions, and interviews (Daniel, 2016). Among the two research methods, the quantitative approach is the most appropriate one, as the research intends to use numerical data for statistical analysis while assessing the relationship among interest variables.

In the study, the non-probability sampling method of convenience method is going to be used. There are several justifications in the literature for adopting convenience sampling in research studies. For the case of this study, the accessibility and availability of the population within a given time frame made this sampling method relevant. One of the assumptions of the convenience sampling method is that the population is assumed to be homogeneous. Thereby, even though the simple random sampling method will be investigated, it will reveal the same results as the convenience sampling method (Etikan, Musa, & Alkassim, 2016).

4.4 Research Instrument

As a research instrument, primary data collection method through online questionnaire was investigated. The structure of the questionnaire consisted of the name of the topic and brief information about the purpose of the study. The questions were grouped in two sections: general information and research interest questions. The general information section was designed to get information about respondents' profiles of age, gender, education level, income, and digital banking experience. In the following section respondents were asked to rate the research specific questions on service quality dimension items. The format of answers to the questions in the general section was mainly multiple-choice and checklist form. For the research interest section, the format of answers was given in Likert-scale form where respondents were supposed to rate the statements from being strongly disagree to being strongly agree. The coding of the Likert scale is formulated as “strongly disagree” =1 , “disagree” =2 , “neutral” =3 ,”agree”=4 and “strongly agree” =5.

4.5 Data Collection Procedures

The prepared and distributed survey questions were illustrated in Appendix A. The survey questions were referenced from the questionnaire examined by Bebli (2012) to measure the internet banking service quality dimensions and customer satisfaction. The online survey questionnaire included the intention of the study for respondents' information. The online survey

was created with the help of Google Survey Form. The online survey was shared through email and social media channels (LinkedIn, Facebook) to reach the respective audience.

4.6 Data analysis

The collected data for the study was firstly edited using the Microsoft Excel tool. The responses given in multiple-choice questions were edited and transferred to clear and structured data. The questions formulated in the Azerbaijani language were translated into English and obtained homogeneous data. Out of 17 questionnaire items for assessing service quality, 12 were positively worded, and 5 were negatively worded. These 5 questions were included in the ease of use and reliability dimensions. Negatively worded items tend to create problems while analyzing the data and getting fair results when questionnaire consists of negatively and positively worded items. Possible problems observed for negatively worded items can be given such as higher standard deviations, lower Cronbach values, and general confusion by respondents due to loss in the meaning of item compared to positively worded items (Parasuraman, Zeithaml, & Berry, 1991). Therefore, responses for these two dimensions' items were reverse coded to avoid specified problems with the help Microsoft Excel tool. The main software tool that was adopted to analyze the data was STATA. For analysis of the data, descriptive statistics and frequency analysis were conducted. The linear and multiple regression analyses were conducted with the help of STATA. By referencing the results of this regression analysis, a formulated empirical model was tested.

The collected data consisted of answers to the individual questions grouped under six main service quality dimensions. In order to conduct further analysis of these results, the method suggested by Robinson (2018) was used. Robinson (2018) advised using the mean rating of all question items of each dimension. In other words, for each dimension, the score is calculated by taking the mean value of items included in that dimension. The author highly recommends using this method yields meaningful results as the calculated mean value also falls in the range of 1 to 5 Likert scale. The obtained mean values of each dimension are going to be used while running correlation, linear, and multiple regression analyses.

4.7 Reliability Analysis (Cronbach's Alpha)

For the testing internal reliability of items within research dimensions, the Cronbach's Alpha test is investigated. According to the test's logic, the items of dimension should have a high

Cronbach's Alpha score to be accepted as being internally reliable. Thus, as the obtained score is closer to one, we can conclude that there is internal consistency and stability within the dimension itself (Taber, 2018). Oppositely, as the score is closer to zero, it alerts researchers to reconsider the items as they do not reflect the same dimension. As all items are internally consistent with the instrument, the research can be concluded to be reliable.

4.8 Ethical Consideration

In the phase of question formulation, the ethical factors were considered with high priority. Thus, the content of the questions was carefully analyzed, and the potential questions that could have been ethically improper were excluded. In the second step, at the beginning of the survey, respondents were informed about the aim of conducting the respective research. The assurance of the anonymity and confidentiality of responses were clearly declared. Thus respondent's name and email address information was kept private. The survey is fulfilled if the respondent has agreed to continue.

SECTION FIVE RESULTS AND DISCUSSION

5.1 Introduction

This section illustrates the analysis of the data collected from the online survey distributed to the respondents of the study. The section includes demographic profile analysis of respondents, digital banking service quality dimensions, the regression and correlation analysis results. Based on obtained analysis results, section is going to present detailed discussion.

5.2 Data analysis

Overall during the research data collection period, a total of 110 responses were received. 2 out of 110 responses were excluded, as they were empty due to system record problem. Thus, after extraction process, the total sample dataset was accounted to be 108. With the help of the Microsoft Excel tool, uniform translation of content to English language and conversion of Likert scale values to their respective ordinal values achieved (“strongly disagree” =1, “disagree” =2, “neutral” =3, ”agree”=4, and “strongly agree” =5).

Table 5.1 Demographic profile of Respondents

Demographic variable	Values	Frequency	Percentage
Gender	Female	54	50 %
	Male	54	50 %
	Total	108	100%
Age	0-17	0	0 %
	18-24	23	21 %
	25-35	60	56 %
	36-64	24	22 %
	65+	1	1 %
	Total	108	100%
Marital Status	Single	58	54 %
	Married	50	46 %
	Total	108	100%

Education	No formal education	1	1 %
	Basic education	0	0 %
	Secondary education	4	4 %
	Bachelor degree	50	46 %
	Master's degree	50	46 %
	PhD	3	3 %
	Total	108	100%
Income	Up to 500 AZN	13	12 %
	501-800 AZN	16	15 %
	801-1500 AZN	33	31 %
	1501-2000 AZN	11	10 %
	2001-2500 AZN	6	6 %
	2501 AZN +	29	27 %
	Total	108	100%
Digital banking experience, years	Less than a year	11	9 %
	Between 1-3 years	57	53 %
	Between 4-6 years	24	22 %
	More than 6 years	17	16 %
	Total	108	100%
Frequency of monthly digital banking usage	Once per month	10	9 %
	2-5 times per month	30	28 %
	6-10 times per month	23	21 %
	More than 10 times	45	42 %
	Total	108	100%

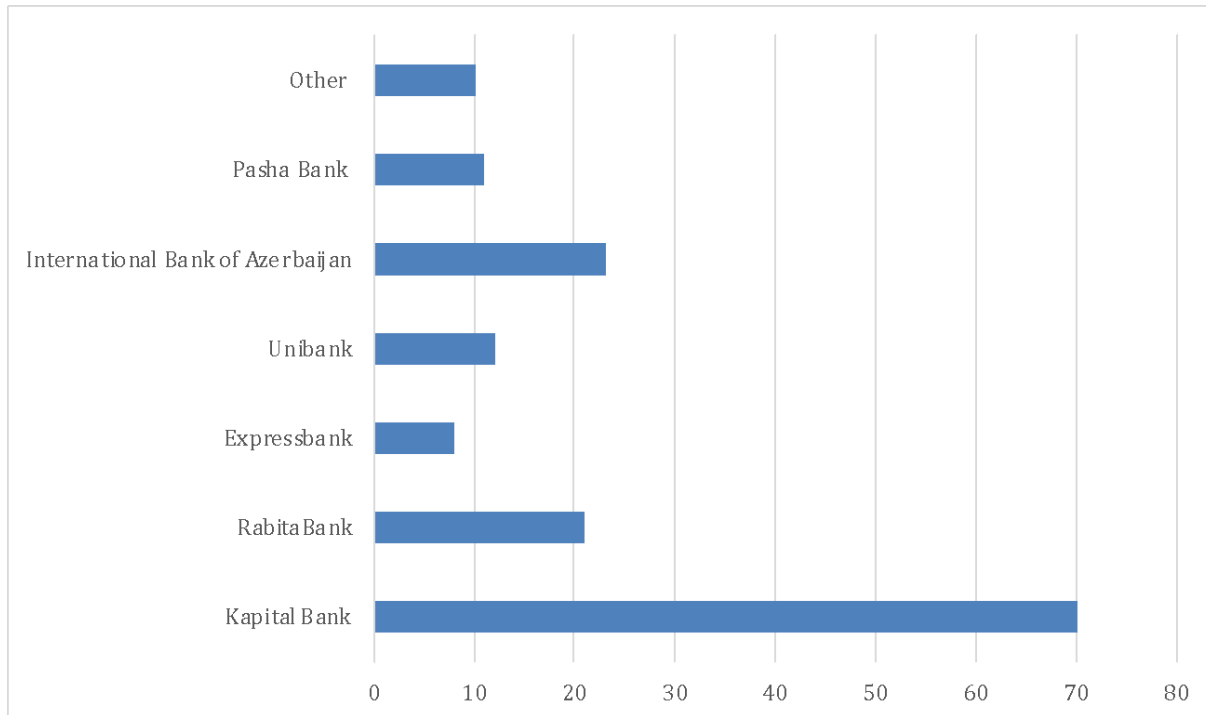
Source: Author's compilation from Survey Results, 2022, Computed using Microsoft Excel*

The demographic profile of respondents is illustrated in Table 5.1 According to the data received through the online questionnaire from 108 individuals, half of the responses belong to representative of female and the other half of male participants. Age categorization of the sample reveals that 25-35 age group has the highest percentage of overall respondents that equal to 56%. The second highest contributors fall to the age group of 36-64 with 22% and following age group

of 18-24 with 21% of overall participation. Both single and married individuals have approximately similar frequency rates, with the former being 58 and the latter being 50 individuals. According to the education level, the majority of respondents hold bachelor's and master's degrees. 5% of the overall sample group are no formal education and secondary education holders. As the highest degree, PhD holders are accounted to be 3 people, which is roughly 3% of sample data. Based on these data, the sample group can be accepted to be highly educated.

As illustrated in Table 5.1, income distribution data reveals that the majority of individuals' monthly salary is between 800-1500 AZN (31%). Out of 108 respondents, 29 earn 2501 AZN and more, which is 27% of the overall sample. Only 6 individuals earn 2001-2500 AZN, while 13 and 11 people earn less than 500 and 1501-2000 AZN. Individuals were asked to indicate their digital banking experience, that is expressed in years, and the majority are rated to have experience between 1-3 years. 38 % of the overall sample have more than 4 years of experience with digital banking services. Only 11 out of 108 individuals are new to digital banking solutions, which equals 9% of the overall sample. Finally, 42 % of individuals use digital banking more than 10 times in terms of monthly digital banking usage. In contrast, 9% of respondents use digital banking services less frequently as only one time in a month.

Table 5.2 Respondents’ Digital Banking Preferences in Azerbaijan



Source: Survey Results, 2022, Computed using Microsoft Excel*

Table 5.2 illustrates the digital banking preferences of respondents. Particular to the digital banking preference question, respondents were allowed to multi-select the respective bank names offered to them. Additionally, if the name of the respective bank does not show up on the list, respondents were given the opportunity to include the name of the bank. According to Table 5.2, 70 individuals have indicated that they are Kapital Bank users. Thus, this data shows that most respondents are using Kapital Bank’s digital services. The second highest result belongs to the name of the International Bank of Azerbaijan (IBA). Followingly, based on respondent ratings, Rabitabank, Unibank, Pasha bank, and Expressbank are preferred banks for their digital service solutions in Azerbaijan.

5.3 Reliability statistics

Table 5.3 shows the test conducted for measuring the internal reliability of items in each variable. Thus, the dependent variable of customer satisfaction is accounted to have $\alpha = 0.744$. As indicated, the Cronbach’s value equals to and above 0.60 is accepted as reliable. As α value for customer satisfaction exceeds the benchmark point, our dependent variable is internally reliable.

In terms of independent variables, Cronbach's value for speed of delivery $\alpha = 0.784$, enjoyment $\alpha = 0.755$, control $\alpha = 0.598$, security and privacy $\alpha = 0.876$. As alpha values are greater or approximately equal to 0.60 level, meaning these variables are internally consistent. However, Cronbach's alpha values for independent variables of ease of use and reliability are calculated to be below the advised level. Reasons of obtaining lower Cronbach's alpha values have been examined in the literature and several justifications have been introduced. One of the reasons is due to having small number of items within dimension, that yields lower alpha values (Tavakol, & Dennick 2011). In fact, ease of use and reliability dimensions have small number of items that can be reason to having lower alpha values. It is advised to delete items for increasing alpha value (Tavakol, & Dennick 2011). For the case of ease of use and reliability dimensions, deleting items with lower internal correlation, have resulted even lower Cronbach's alpha value. Moreover, deleting items leads to information loss for proceeding the research. Therefore, for the case of ease of use and reliability dimensions, lower alpha values will be acceptable. Overall reliability factor of questionnaire is calculated to be $\alpha = 0.817$, which indicates that 17 items are internally consistent.

Table 5.3 Reliability (Cronbach's Alpha test)

Variable	Question Items	Cronbach's Alpha
1. Speed of Delivery	2	0.784
2. Ease of Use	3	0.266
3. Reliability	2	0.515
4. Enjoyment	3	0.755
5. Control	2	0.598
6. Security and privacy	2	0.876
7. Customer satisfaction	3	0.744
8. Overall	17	0.817

Source: STATA output, 2022

5.4 Descriptive Statistics

Table 5.4 illustrates the results of the descriptive statistics assessed for each quality dimensions and customer satisfaction variable. Among 6 service quality dimensions, respondents

are more satisfied with speed of delivery dimension, which has a mean value equals to 4.24. Overall, all service quality dimensions have mean values higher than 3, meaning respondents are satisfied with the digital quality of services. In terms of overall satisfaction, the mean value is higher than 3, indicating that respondents are almost satisfied with the digital service quality of banks in Azerbaijan.

Table 5.4 Descriptive Statistics

Variable	N	Mean	Std. Deviation
1. Speed of Delivery	108	4.24	0.6132
2. Ease of Use	108	3.77	0.4779
3. Reliability	108	3.48	0.6953
4. Enjoyment	108	3.77	0.6045
5. Control	108	3.77	0.5650
6. Security and privacy	108	3.61	0.6351
7. Customer satisfaction	108	3.71	0.5278

Source: STATA output, 2022

5.5 Correlation Analysis

Table 5.5 summarizes the correlation matrix of the interested variables of the study. Pearson correlation analysis is used to find out the association between multiple variables, such as dependent and independent variables. With the help of r values and significance results, we can understand the sign and degree of association among variables.

- *Correlation among independent variables and dependent variable:*

According to Table 5.5, the association between the dependent variable of customer satisfaction and speed of delivery is positive and significant ($r=0.4225^{***}$, $\text{sig}<0.001$). Ease of use and customer satisfaction positively and significantly correlates ($r=0.3512^{***}$, $\text{sig}<0.001$). Similarly, a significant and positive correlation exists between reliability and customer satisfaction ($r=0.3712^{***}$, $\text{sig}<0.001$). In terms of enjoyment variable, there is a strong positive and significant association with customer satisfaction variable ($r=0.4534^{***}$, $\text{sig}<0.001$). For the last two independent variables of control ($r=0.3058^{**}$, $\text{sig}<0.01$) and security ($r=0.5585^{***}$, $\text{sig}<0.001$) correlation matrix reveals positive and significant correlation with dependent variable of customer

satisfaction. Overall, based on the correlation matrix, we can conclude that all study independent variables are positively and significantly correlate with the dependent variable of customer satisfaction.

H1: Hypothesis(null): Study independent variables (speed of delivery, ease of use, reliability, enjoyment, control, privacy and security) do not have an impact on customer satisfaction

As correlation results demonstrate the significant impact of each independent variable on customer satisfaction, we can reject the null hypothesis and accept the alternative one. Thus, study's independent variables have an association and correlation with customer satisfaction.

- *Correlation among independent variables:*

Correlation analysis among independent variables also reveals important information. Such that, speed of delivery has a significant and positive relationship with all other independent variables of ease of use ($r=0.4127^{***}$, $\text{sig}<0.001$), reliability ($r=0.4244^{***}$, $\text{sig}<0.001$), enjoyment ($r=0.3935^{***}$, $\text{sig}<0.001$), control ($r=0.3513^{***}$, $\text{sig}<0.001$) and security and privacy ($r=0.3566^{***}$, $\text{sig}<0.001$). Likewise, ease of use variable has positive and significant correlation with reliability ($r=0.2859^{**}$, $\text{sig}<0.01$), enjoyment ($r=0.4276^{***}$, $\text{sig}<0.001$), control ($r=0.2076^*$, $\text{sig}<0.05$) and security and privacy ($r=0.2771^{**}$, $\text{sig}<0.01$). Referring to the correlation matrix table, results reveal that the reliability variable has a positive and significant correlation with other independent variables. While reliability correlation with speed of delivery ($r=0.4244^{***}$, $\text{sig}<0.001$) and privacy ($r=0.3580^{***}$, $\text{sig}<0.001$) is strong due to significance level being lower than 0.001. Similarly, enjoyment, control, privacy and security variables demonstrate a positive correlation with the study's other independent variables. One insignificance is observed only among control, privacy and security variables. As a concluding remark, correlation matrix demonstrates understanding that independent variables positively correlate with each other and the majority of these correlations are significant and strong.

Table 5.5 Pearson Correlation Analysis

Variables	1	2	3	4	5	6	7
1. Speed of Delivery	1.0000						
Sig.level							
2.Ease of Use	0.4127***	1.0000					
Sig.level	0.0000						
3.Reliability	0.4244***	0.2859**	1.0000				
Sig.level	0.0000	0.0027					
4.Enjoyment	0.3935***	0.4276***	0.3075**	1.0000			
Sig.level	0.0000	0.0000	0.0012				
5.Control	0.3513***	0.2076*	0.2716**	0.4559***	1.0000		
Sig.level	0.0002	0.0311	0.0045	0.0000			
6.Security and privacy	0.3566***	0.2771**	0.3580***	0.3407***	0.1801	1.0000	
Sig.level	0.0002	0.0037	0.0001	0.0003	0.0622		
7.Customer satisfaction	0.4225***	0.3512***	0.3712***	0.4534***	0.3058**	0.5585***	1.0000
Sig.level	0.0000	0.0002	0.0001	0.0000	0.0013	0.0000	

Source: STATA output, 2022 , *p < 0.05. **p < 0.01. ***p < 0.001

5.6 Regression Analysis and Testing of Hypothesis

Table 5.6 represents the outcomes of the linear regression analysis. Based on individual regression results among independent and dependent variables, we will mainly analyze the R^2 , coefficient amount (β), and significance levels to find answers to statements formulated in hypotheses given in Section One.

Results reveal that first independent variable, speed of delivery, is a significant predictor of customer satisfaction with β value equals to 0.363 and p-value lower than 1% significance level. This result allows us to reject the null hypothesis of **H2**, as speed of delivery has a positive impact on customer satisfaction. The R^2 result shows that, 17.8% variation in customer satisfaction is explained by speed of delivery of digital banking services.

Ease of use has a significant and positive contribution to customer satisfaction level in digital banking since β value equals 0.387 with p-value lower than 1% significance level. We can reject the null hypothesis of **H3**, as ease of use significantly and positively impacts customer

satisfaction. The R^2 result for regression between customer satisfaction and ease of use equals 12.3%, meaning 12.3% variation in customer satisfaction is explained by ease of use of digital banking services.

According to Table 5.6, linear regression results show a significant and positive impact of reliability on customer satisfaction ($\beta = 0.281$, $p < 0.001$) with R^2 value equaling 13.7%. By that means, the null hypothesis of **H4** is rejected, and an alternative one is accepted. In other words, reliability has a positive and significant impact on customer satisfaction.

The subsequent independent variable, enjoyment, similar to previous variables, has a significant and positive impact on customer satisfaction ($\beta = 0.395$, $p < 0.001$). 20.5% variation in the dependent variable of customer satisfaction can be explained by enjoyment variable. Based on the regression outcome, the null hypothesis of **H5** is going to be rejected, as there is a positive and significant contribution of enjoyment on customer satisfaction with digital banking services.

For the case of control variable, regression results demonstrate positive and significant outcomes. 9.3% variation in customer satisfaction can be explained by control variable. Thus, we can reject the null hypothesis of **H6**, as there is a positive significant impact of the control variable on customer satisfaction.

Finally, the last independent variable of privacy and security has β coefficient value of 0.464, and significance level below 0.001 level. R^2 value shows that 31.2% variation in the dependent variable of customer satisfaction is due to security and privacy. Likewise, we are going to reject a null hypothesis of **H7** that there is no significant impact of privacy and security on customer satisfaction. Hence, with the help of regression, we can prove that there is reasonably a significant and positive impact on privacy and security of digital banking service from a customer satisfaction point of view.

Table 5.6 Linear Regression Analysis Results (N=108)

Variables (X)	Customer satisfaction (Y)		
	Coefficient(β)	R ²	Significance level
Speed of Delivery	0.363***	0.178	0.000
Ease of Use	0.387***	0.123	0.000
Reliability	0.281***	0.137	0.000
Enjoyment	0.395***	0.205	0.000
Control	0.285***	0.093	0.001
Security and privacy	0.464***	0.312	0.000

Source: STATA output, 2022, *p < 0.05. **p < 0.01. ***p < 0.001.

With the intention of testing the hypothesis of **H8**, where the overall six independent variables' influence on customer satisfaction is questioned, we have conducted multiple regression analysis. Multiple regression model helps us to see what percentage of variation in the dependent variable can be explained with the study's total six independent variables. Thus the results of multiple regression model are shown in Table 5.7. The estimated equation can be given as:

$$Y_{\text{Customer Satisfaction}} = 0.716 + 0.102 X_1 \text{ Speed of Delivery} + 0.085 X_2 \text{ Ease of Use} + 0.063 X_3 \text{ Reliability} \\ + 0.159 X_4 \text{ Enjoyment} + 0.067 X_5 \text{ Control} + 0.323 X_6 \text{ Privacy and Security}$$

R² and Adjusted R² results are calculated to be 43% and 39%, respectively. The obtained result of Adjusted R² indicates goodness of fit of formulated regression model. All six independent variables together explain 43% of the variation in dependent variable of customer satisfaction. More expressively, the R² value of 0.39 shows that 39% of the variation in customers' satisfaction with digital banking can be explained by the variation in the six independent variables. The model's significance indicator of F statistic p-value is smaller than 0.001 significance level, meaning the model is statistically significant. The coefficients of all six variables are positive in the sign. However, unlike individual regression models, the coefficients are not individually significant. There are several studies in the literature that have explained the reasons of getting individual

insignificant coefficients while conducting multiple regression models. Gavilanes (2019) has experimented the insignificance in coefficients can be obtained due to differences in sample sizes. Thus, same regression model can yield different significance in results only by changing the sample sizes. Gavilanes (2019) stated that as the sample size increases, the individual significance of variable coefficients tend to increase as well. Therefore, obtained individual insignificant coefficients can be justified by having relatively small sample size.

The multiple regression result shows that 61% variation in customer satisfaction can still not be explained by the included model. Thus, the existing model can be further adjusted by including study-related and significant variables to get higher R^2 values. We can conclude that all six variables positively contribute to customer satisfaction, and thus, we can reject the null hypothesis of **H8**.

Table 5.7 Multiple Regression Analysis (N=108)

$R^2 = 0.43$ Adjusted $R^2=0.39$ Sig(Prob>F)=0.000			
Customer satisfaction (Y)			
Variables (X)	Coefficient(β)	t value	Sig.
Constant	0.716	1.78	0.078
Speed of Delivery	0.102	1.29	0.200
Ease of Use	0.085	0.88	0.379
Reliability	0.063	0.96	0.339
Enjoyment	0.159	1.93	0.056
Control	0.067	0.83	0.410
Security and privacy	0.323***	4.59	0.000

Source: STATA output, 2022 * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$.

5.7 Demographic variables

As mentioned in Section One, parallel to service quality dimensions, the study aims to find the relationship between demographic variables and customer satisfaction. In order to find whether demographic variables influence customer satisfaction, Kruskal-Wallis Chi-Square tests will be adapted. In terms of demographic variables, survey data is going to be used. Thereby, respondents' age, gender, marital status, education, income, digital banking experience and frequency of digital

banking usage are going to be treated as independent variables, while customer satisfaction as the dependent variable. The results of Kruskal-Wallis Chi Square test is illustrated in Table 5.8.

Table 5.8. Demographic variables and customer satisfaction

Variables	N	Chi-square Value	Chi-square Table	df	p-value
1. Age	108	1.137	7.814	3	0.7681
2. Gender	108	5.309	3.841	1	0.0212
3. Marital Status	108	0.024	3.841	1	0.8776
4. Education	108	1.841	9.487	4	0.7650
5. Income	108	3.517	11.070	5	0.6209
6. Digital Banking experience	108	2.175	7.814	3	0.5369
7. Frequency of digital banking usage	108	4.506	7.814	3	0.2117

Source: Author's compilation, STATA, 2022

While interpreting the results of Kruskal-Wallis Chi-square test, comparison of obtained Chi-square value and Chi-square table value should be conducted. According to Singhal and Rana (2015), if the Chi-square critical value that is obtained from the table is greater than the calculated Chi-square value, then the null hypothesis cannot be rejected. In other words, the interest variable does not have an impact on the dependent variable. Conversely, if the Chi-square critical value that is obtained from the table is lower than the calculated Chi-square value, then the null hypothesis can be rejected, and an alternative one accepted. In terms of a study example, the age variable has Chi-square value of 1.137 with table value of 7.814 at $df=3$ with p-value equal to 0.768. As p-value is greater than 5% level, and calculated Chi-square value lower than table value, we fail to reject null hypothesis. Thus, the null hypothesis is accepted as age does not influence customer satisfaction in digital banking in the case of Azerbaijan.

In terms of gender variable, Chi-square value equals 5.309 with table value of 3.841 at $df=1$ with p-value equals to 0.021. As p-value is lower than 5% level, and the calculated Chi-square value is greater than table value, we can reject the null hypothesis. Thus, an alternative

hypothesis is accepted as gender influences customer satisfaction in digital banking in the case of Azerbaijan.

Kruskal-Wallis Chi-Square test result for measuring influence of marital status variable on customer satisfaction concludes that, calculated Chi-square value equals 0.024 while table value equals 3.841. Respective $df=1$ and probability equals to 0.8776. Based on results, we fail to reject the null hypothesis. Therefore, the null hypothesis is accepted as marital status does not influence customer satisfaction in digital banking in the case of Azerbaijan.

With regard to education variable, Chi-square value equals 1.841 while table value equals 9.487. Respective $df=4$ and probability equals to 0.7650. As critical value is greater than calculated value and p value is greater than 5% level, we fail to reject the null hypothesis. Thus, education does not have an influence on customer satisfaction in terms of digital banking in Azerbaijan.

Calculated Chi-square value for Income, which includes 6 distinct groups of people regarding their income levels, is conducted to be equal to 3.517. The respective critical value obtained from the Chi-square distribution table equals 11.070, that is greater than the actual calculated one. Respective $df=5$ with probability equals to 0.6209. In terms of income, we fail to reject the null hypothesis, meaning that income does not impact customer satisfaction level.

In terms of digital banking experience variable, the calculated Chi-square value equals 2.175. The respective critical value obtained from Chi-square distribution table equals 7.814. Degree of freedom equals to 3 with probability value equals to 0.5369. As p-value is greater than 5% level, and calculated Chi-square value is lower than table value, we fail to reject the null hypothesis. Thus, we can conclude that digital banking experience does not lead to customer satisfaction in the case of digital banking in Azerbaijan.

Finally, according to Table 5.8, the last demographic interest variable, the monthly frequency of digital banking usage's calculated Chi-square value equals 4.506. Respective critical Chi-square value obtained from the distribution table equals to 7.814. The degree of freedom of monthly frequency of digital banking usage variable is 3 with probability calculated to be 0.2117. The results indicate that we fail to reject the null hypothesis, due to a higher critical value and a higher probability value from 5% level. Therefore, we can outline that, in terms of digital banking in Azerbaijan, respondent's monthly frequency of digital banking usage does not lead to customer's satisfaction level.

Overall, among 7 independent demographic variables, only gender variable has an impact on customers' satisfaction. Customer's gender, being female or male is correlated with their preferences and it has shown differences.

5.8 Discussion

Detailed analysis of data received through questionnaire has revealed that digital banking service quality dimensions adopted for this study have a positive and significant impact on customer satisfaction in Azerbaijan's banking sector. Security and privacy dimension has demonstrated the strongest impact on customer satisfaction compared to other dimensions. The research outcome coincides with the findings of Bebli (2012), Obikeze et al. (2017), Raji et al. (2021), Brown and Buys (2005), where a significant and positive association between service quality dimensions and customer satisfaction is empirically proved.

Speed of delivery as a service quality dimension positively and significantly influences customer satisfaction in Azerbaijan's banking sector. Respective literature of Ling et al. (2016), Uwalaka and Eze (2020), Raji et al. (2021) also supports this finding by stating a positive and significant relationship among speed of delivery and customer satisfaction in terms of digital banking services.

Ease of use as a service quality dimension positively and significantly influences customer satisfaction in terms of digital banking in Azerbaijan. Respectively, many other studies conducted by Obikeze et al. (2017), Uwalaka and Eze (2020), Ling et al. (2016) , Khan (2021), Raji et al. (2021) have found a positive and significant relationship among ease of use and customer satisfaction. Thus, this study findings and previous empirical studies confirm the hypothesis that there is a strong positive link between ease of use and customer satisfaction.

Reliability dimension of digital banking service quality has a positive and significant influence on customer satisfaction in the case of the Azerbaijan banking sector. Existing literature where the relationship among these two variables, reliability and customer satisfaction respectively studied (Okoye et al (2018), Raji et al. (2021), Rahaman et al. (2020)) and statistically proved that this relationship is positive and significant.

Control dimension of digital banking service quality has a positive and significant influence on customer satisfaction in the case of the Azerbaijan banking sector. The supportive

study that came up with the same results belongs to the author of Bebli's (2012), where the identical hypothesis was tested in terms of the Ghanaian banking sector.

Enjoyment dimension of digital banking service quality has a positive and significant influence on customer satisfaction in the case of the Azerbaijan banking sector. Study finding is consistent with what the existing literature suggests (Fianto et al. (2021), Brun et al. (2017), Babu and Reddy (2020)).

Privacy and security dimension of digital banking service quality has a positive and significant influence on customer satisfaction in the case of the Azerbaijan banking sector. This finding is supported by Obikeze et al. (2017), Uwalaka and Eze (2020), Raji et al. (2021), Brown and Buys (2005). Unlike, referenced findings, empirical study conducted by Khan (2021) states there is no relationship among privacy and customer satisfaction.

Moreover, individual regression findings designed to find out the one to one relationship between service quality dimensions and customer satisfaction, study also included the multiple regression to conclude whether all six variables together contribute to customer satisfaction. The derived result of R^2 equals 43%, meaning six variables together explain 43% variation in the dependent variable. Similar multiple regression analysis was adopted in the study conducted by Bebli (2012), where independent variables of speed of delivery, ease of use, reliability, control, enjoyment, privacy and security were used. According to the study, the calculated R^2 value equals 66% that is higher than this study finding.

In terms of demographic variables, Chi-square test results have outlined that customer's age, marital status, education, digital banking experience, and frequency of digital banking usage do not contribute to their satisfaction level. Only gender variable is concluded to influence satisfaction. While, similar demographic variables were also examined in the study conducted by Bebli (2012), where the customer's age and education level impact their satisfaction level for the case of country Ghana.

SECTION SIX CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS

6.1 Introduction

The final section will outline the study's conclusion, limitations, and recommendations. Section Six is going to include the summary and conclusion of the main findings of the study that is obtained in Section Five. Further study limitations and recommendations for decision-makers are going to be presented followingly.

6.2 Conclusion

This research project has attempted to investigate the impact of digital banking service quality on customer satisfaction in Azerbaijan with the help of statistical procedures. The study has attempted to answer the questions formulated at the beginning of the research with the help of statistical analysis.

Q1: What are the major service quality factors affecting customer satisfaction with digital banking in Azerbaijan?

Based on the literature review and collected data results, the main six digital banking service quality dimensions were considered in this study. Speed of delivery, ease of use, reliability, enjoyment, control, security, and privacy were selected as primary interest quality dimensions for assessing the relationship with customer satisfaction in the Azerbaijan banking sector. The correlation analysis results outline a positive and significant association between these six service quality dimensions and customer satisfaction in Azerbaijan. The study has revealed similar findings to the existing literature in terms of the association between service quality dimensions and customer satisfaction.

Q2: How do overall digital banking service quality factors affect customer satisfaction in Azerbaijan?

Empirical analysis of collected data has suggested that six service quality dimensions positively and significantly influence customer satisfaction in the case of the Azerbaijan banking industry. To be more precise, if banks fail to provide customers with high delivery speed, functional interfaces, reliable transactions, fun and enjoyable digital banking experience, control over systems and security for processed data, customers will not be satisfied with the services

received from that particular bank. One of the important findings of the study is that regression analysis results have shown that the impact of security and privacy dimension on customer satisfaction is relatively higher than other dimensions in the case of Azerbaijan. This result can be paraphrased as customers of Azerbaijan's digital banking industry are more concerned with privacy and security of their personal and financial information. Thus, when high level of security and privacy is provided, customers are more satisfied with the digital services.

Q3: What is the role of demographic variables on customer satisfaction with digital banking in Azerbaijan?

The study has included interest demographic variables of age, gender, marital status, education, digital banking experience, and frequency of digital banking usage. Chi-square analysis was adopted to understand whether there is a relationship between demographic variables and customer satisfaction. The findings suggest that only the gender variable is concluded to affect customer satisfaction in the case of Azerbaijan. Finding suggests that depending on the gender of the customer, being female or male, the satisfaction levels vary. While, customers' age, marital status, education, digital banking experience, and frequency of digital banking usage do not affect their satisfaction level with services.

6.3 Limitations of the study

The current study has several limitations that should be considered an opportunity for the upcoming studies regarding this topic. Firstly, the research mainly focuses on the banking industry, specifically digital banking. Thus, findings may not be applicable for the cases where service quality and customer satisfaction are examined for non-banking industries. Secondly, the sample size of the research was not large enough to confidently make generalizations of research findings. The dataset was limited to 108 individuals, which is not a large and sufficient dataset compared to analogous studies done on this topic. Such as Khatoun et al. (2020), Khan (2021) and Hammoud et al. (2018) have collected more than 200 responses as a sample dataset. Research's large and sufficient dataset is important for the generalization of the study results. Therefore, future research that will aim to study the respective topic is advised to include a larger sample. Moreover, this research is limited to the Azerbaijan context, which can be broadened and compared with other

countries. Cultural and country-based differences can be analyzed, and respective informative contributions can be made to existing literature.

Customer satisfaction which was examined as the main target variable can be extended and analyzed as a mediator for the financial performance of the banking sector in Azerbaijan. Thus, the interrelated role of digital service quality on customer satisfaction levels and thereby its effect on bank's financial performance can be developed with the help of the findings of this study.

Digital service quality dimensions and customer satisfaction have been an interesting research topic for many scholars as it relates to the behavioral side of humankind. The study is limited to six service quality dimensions which can be increased in the context of digital banking in Azerbaijan. Increasing the number of meaningful dimensions will yield more accurate results. Each additional dimension will increase the R^2 value of future regression models, meaning variation in customer satisfaction can be covered expressively.

6.4 Recommendations

Based on study findings, recommendations will be given to cover banking organizations from strategic, tactical, and operational perspectives.

Strategic management includes long-term business plans and regulations adopted for redefining the mission and vision of the organization in order to increase efficiency and performance. Under the digitalization context of banks in Azerbaijan, recent trends have revealed the importance of revisiting banks' strategic plans and adopting customer-centered models. As study presents advantages of digitalization of services provided by banks, as it yields increased financial performance, customer base, decreased costs, and better reputation. In terms of banks that operate in Azerbaijan, the introduction and adoption of information technologies have also accelerated the competition among banks, making them agile and flexible in the digitalized era. Therefore, in order to be part of this competition and satisfy the customers with better digital service quality, the following suggestions can be given to strategic management :

- Updating mission and vision statements of bank and formulating digitally favorable business models;
- Adopting strategies and policies to establish a digital environment and organizational culture;

- Communicating with financial authority organizations to provide data security, information integration with third parties, monitoring risks associated with the use of information technologies by the initiatives of top management;
- Adopting change management strategies, analyzing current organizational structure, and assessing whether current knowledge and skills in the organization enable the adoption of innovation and new strategies associated with it. Based on assessment results, the respective training and employee motivation programs can be applied;

With the coherence what strategic management adopts, tactical and operational management engage in the process of realization and implementation of these strategies in practice. The study analysis has pointed out the importance of service quality dimensions that evaluates the digital services by six main qualification metrics. Banks in Azerbaijan, with the initiatives of strategic management, can successfully implement digitalization and achieve refinement of six service quality dimensions as a direct effect. Table 6.1 illustrates the analysis of business processes and potential revenue stoppers that prevent the successfully implementing of these strategies. Based on key points assessed through the Table 6.1, the following suggestions can be given to tactical and operational management:

- In order to transform the organization to digital, establishment of Business Process Management departments where detailed analysis of process both organizational and service level practices adopted;
- Prioritization and gradual transformation of traditional and semi-digital bank business processes and service solutions to deliver them through digital channels;
- Establishment and implementation of agile management practices to be ready to respond to changes that digitalization brings;
- Determine the revenue stoppers of digital banking services and formulate an action plan to solve these points;
- Adoption of information technology standards and policies to ensure secure and silent service provision; provide API integration for bank services and other parties for real-time information transition;
- Introducing alternative biometric systems for better security and privacy;

- Using UX/UI design ergonomics to provide a better customer experience through digital channel monitors. Reassess the complex interfaces to make them clear and understandable for different customer segments;
- Adapting optimization tools to minimize the load and execution time;

Table 6.1 Digital banking process analysis

Digital Banking service name	Digital service quality(features)	Digital service channels	Revenue stoppers
Account Balance information	Speed of delivery Ease of Use Reliability Enjoyment Control	Internet banking Mobile Banking ATM E-wallet	<ul style="list-style-type: none"> ▪ Insufficient API integrations ▪ Absence of Biometric systems ▪ Number of errors ▪ Delay in delivery ▪ Execution time ▪ Process cost ▪ Insufficient UX/UI and complex interfaces
Transfer & Receive funds	Privacy & Security	Internet banking Mobile Banking POS terminals ATM	
Online Payments		Internet banking Mobile Banking POS terminals	
Loan Application & Management		Internet banking Mobile Banking	
Card application & Management		Internet banking Mobile Banking	

Source: Author's compilation

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APPENDICES

Appendix A: Survey questions

Variables	Items	5 Point Likert Scale
Speed of Delivery (Bebli, 2012)	The use of digital banking makes my transactions very fast.	1 2 3 4 5
	The use of digital banking is time saving.	1 2 3 4 5
Ease of Use (Bebli, 2012)	Digital banking is complicated to use.	1 2 3 4 5
	The wording of digital banking unclear.	1 2 3 4 5
	Digital banking does not demand a lot of effort.	1 2 3 4 5
Reliability (Bebli, 2012)	The use of digital banking can lead to errors in transactions.	1 2 3 4 5
	The use of digital banking is not reliable.	1 2 3 4 5
Enjoyment (Bebli, 2012)	Digital banking is nice to use.	1 2 3 4 5
	The use of digital banking is fun.	1 2 3 4 5
	Digital banking is interesting to use.	1 2 3 4 5
Control (Bebli, 2012)	The use of digital banking means transaction will be made as I wish.	1 2 3 4 5
	The use of digital banking gives me control over my transaction.	1 2 3 4 5
Privacy and Security (Bebli, 2012)	The level of privacy and security of service I receive through the digital banking is high.	1 2 3 4 5
	The privacy and security of service I receive through the digital banking is excellent.	1 2 3 4 5
Satisfaction (Bebli, 2012)	My expectations before the use of digital banking have been met with this current experience.	1 2 3 4 5
	I find the digital banking application quite pleasant.	1 2 3 4 5
	I am completely satisfied with the digital banking application.	1 2 3 4 5